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Bipartisan push on economy Bush, lawmakers look at tax cut stimulus plus more spending

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Washington -- The Bush administration and top lawmakers from both parties moved cautiously yesterday toward a big package of spending increases and tax cuts to stimulate the sagging economy as a widely watched measure of consumer confidence plunged to its lowest level in a decade.

After meeting privately with Federal Reserve Chairman Alan Greenspan, Congressional leaders said that if stimulus was needed, it should be big enough to make a difference -- about 1 percent of gross domestic product -- but should be temporary to avoid long-term economic damage from deficit spending.

Although both parties continued to advocate fiscal caution, the Sept. 11 terrorist attacks and the sharply weakening economy have turned Washington's budget debate on its head.

Fierce partisan brawls over tapping the surplus have been transformed into earnest bipartisan talks on how to divvy it up between the labor and business constituencies that are making urgent pleas for relief.

Although the administration showed reluctance last week to provide a jolt to the economy, White House spokesman Ari Fleischer yesterday left the door open, saying any package "won't be a rush job . . . it has to be done right" and could be several weeks away.

Just last week, Greenspan, seconded by Treasury Secretary Paul O'Neill, said it was too early to get an accurate reading on how poorly the economy was faring in the wake of the terrorist attacks.

Greenspan said then that policymakers should wait to see whether the just- passed \$40 billion emergency spending and \$15 billion airline rescue package --

along with the Fed's own half-percentage-point cut in interest rates -- would suffice to kick-start the economy.

Lawmakers said Greenspan continued to warn yesterday that too much stimulus could backfire by driving up long-term interest rates if the market thinks the government has lost its fiscal discipline.

But Greenspan also told lawmakers that if more stimulus is needed, it should be big.

"We heard much higher numbers today from our two experts of the stimulus package . . . than I

anticipated to hear," said Iowa Sen. Charles Grassley, ranking Republican on the Senate Finance Committee, which met yesterday with Greenspan and former Clinton administration Treasury Secretary Robert Rubin.

"In other words, if you're going to do something, it better be something significant enough to get the job done," Grassley said, adding that Greenspan and Rubin were basing their comments on the assumption that within two or three weeks indicators would, in fact, show that the economy needed help.

The administration and congressional leaders have vowed to make any package bipartisan, probably marrying pet projects from both parties. Republicans are focusing mainly on cutting taxes for businesses and investors, while Democrats are looking at expanded unemployment benefits, a cut in Social Security payroll tax, and even public works projects.

But no specific proposals have emerged beyond the talking stage.

House Democrats moved yesterday -- and Senate majority leader Tom Daschle, D-S.D., gave his strong backing -- to expand financial assistance to laid-off workers from the airlines, airline manufacturers, airline suppliers and airport workers, extending the normal 26 weeks of unemployment benefits by an additional 52 weeks, among other things.

"Just as we have moved quickly to safeguard the continued existence of our airline industry, so, too, should we move to protect the working men and women who represent the lifeblood of that industry," said Rep. Mike Honda, D-San Jose.

On Friday, the Business Roundtable, a group of chief executive officers of major U.S. companies, sent an unusual letter to Bush asking for an immediate "broad-based" stimulus package that would spur consumer and business spending.

"Our CEOs are making real-time decisions that are affecting American workers next week and next month," spokesman John Schachter said yesterday. "We feel pretty strongly that we need to see actions sooner rather than later."

Many lobbying groups that were pushing for specific measures before the attacks have held back in the past two weeks, but pressures from both business and labor are clearly making themselves felt.

"Nobody on the Hill wants to be seen as taking advantage of the crisis," said Grover Norquist, president of Americans for Tax Reform, a conservative advocacy group.

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